

STONES RIVER CENTER
Murfreesboro, Tennessee

Cost Report and Patient Accounts
For the Period
July 1, 1996, Through June 30, 1997

Arthur A. Hayes, Jr., CPA, JD, CFE
Director

Ronald M. Paolini,
CPA
Assistant Director

Gregg S. Hawkins, CPA
Audit Manager

Robert A. McCloud, CFE
In-Charge Auditor

Amy Brack
Editor

January 28, 2000

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Mr. Brian Lapps, Sr., Director
Bureau of TennCare
729 Church Street, Fifth Floor
Nashville, Tennessee 37247

Ladies and Gentlemen:

Pursuant to Section 71-5-130, *Tennessee Code Annotated*, and a cooperative agreement between the Comptroller of the Treasury and the Department of Health, the Division of State Audit performs examinations of nursing facilities participating in the Tennessee Medical Assistance Program under Title XIX of the Social Security Act (Medicaid).

Submitted herewith is the report of the examination of the Medicaid cost report of The Stones River Center, Murfreesboro, Tennessee, for the period July 1, 1996, through June 30, 1997, and patient accounts for the period July 1, 1996, through June 30, 1997.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/pn
98/093

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

TennCare Report
Stones River Center
Murfreesboro, Tennessee
For the Year Ended June 30, 1997

FINDINGS RECOMMENDING MONETARY REFUNDS

Nonallowable Expenses Included on the Cost Report

Nonallowable or unsupported expenses totaling \$1,116.57 were included on the "Intermediate Care Statement of Reimbursable Costs." The disallowed costs were for penalties and interest on tax payments. These expenses caused the facility's Medicaid reimbursable rate to be overstated. The facility should refund \$1,292.56 to the State of Tennessee.

"Audit Highlights" is a summary of the report. To obtain the complete report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 741-3697

**Stones River Center
Murfreesboro, Tennessee
Cost Report and Patient Accounts
For the Period
July 1, 1996, Through June 30, 1997**

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**Stones River Center
Murfreesboro, Tennessee
Cost Report and Patient Accounts
For the Period
July 1, 1996, Through June 30, 1997**

INTRODUCTION

PURPOSE AND AUTHORITY OF THE EXAMINATION

The terms of contract between the Tennessee Department of Health and the Tennessee Comptroller's office authorizes the Comptroller to perform examinations of nursing facilities that participate in the Tennessee Medicaid Nursing Facility Program.

Under their agreements with the state and as stated on cost reports submitted to the state, participating nursing facilities have asserted that they are in compliance with the applicable state and federal regulations covering services provided to Medicaid-eligible recipients. The purpose of our examination is to render an opinion on the nursing facilities' assertions that they are in compliance with such requirements.

BACKGROUND

To receive services under the Medicaid Nursing Facility Program, a recipient must meet Medicaid eligibility requirements under one of the coverage groups included in the *State Plan for Medical Assistance*. The need for nursing care is not in itself sufficient to establish eligibility. Additionally, a physician must certify that recipients need nursing facility care before they can be admitted to a facility. Once a recipient is admitted, a physician must certify periodically that continued nursing care is required. The number of days of coverage available to recipients in a nursing facility is not limited.

The Medicaid intermediate care facility for the mentally retarded (ICF/MR) provides for services to recipients who, through a pre-admission screening process, have been diagnosed as mentally retarded. The ICF/MR must be under the direct supervision of licensed nursing personnel and under the general direction of a physician.

Stones River Center, Murfreesboro, Tennessee, provides ICF/MR services. The facility operates ten ICF/MR group homes. The officers/members of the board of directors are as follows:

Robert B. Coats, Jr. (Chairman)
Bryant F. Coats (Vice-President)

William P. Walker
Chet H. Bradeen

Charles W. Northcutt, III (Secretary)
Howard Oakes

James D. Loftin, Jr.

During the examination period, the facility maintained a total of 80 licensed nursing facility beds. The Division of Quality Assurance of the Department of Health licensed the facility for these beds. Eligible recipients receive services through an agreement with the Department of Health. Of the 29,200 available bed days, 29,124 were for Medicaid ICF/MR patients for the year ended June 30, 1997. Also, the facility reported total operating expenses of \$5,689,447 for the period.

The Division of Quality Assurance inspected the quality of the facility's physical plant, professional staff, and patient services. The nursing facility met the required standards.

The following Medicaid reimbursable rates were in effect for the period covered by this examination:

<u>ICF/MR</u>	<u>Period</u> <u>7/1/96 to</u> <u>9/30/96</u>	<u>Period</u> <u>10/1/96 to</u> <u>6/30/97</u>
744-7084	\$197.33	\$195.59
744-7085	\$197.61	\$195.92
744-7089	\$198.29	\$195.80
744-7090	\$198.00	\$196.38
744-7091	\$201.42	\$197.51
744-7092	\$200.85	\$196.44
744-7093	\$199.32	\$198.08
744-7094	\$198.19	\$197.29
744-7095	\$202.79	\$197.28
744-7096	\$203.31	\$197.12

PRIOR EXAMINATION FINDINGS

This is the facility's first examination.

SCOPE OF THE EXAMINATION

Our examination covers certain financial-related requirements of the Medicaid Nursing Facility Program. The requirements covered are referred to under management's assertions specified later in the Independent Accountant's report. Our examination does not cover quality of care, clinical, or medical provisions.

Independent Accountant's Report

June 25, 1998

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
Mr. Brian Lapps, Sr., Director
Bureau of TennCare
729 Church Street, Fifth Floor
Nashville, Tennessee 37247

Ladies and Gentlemen:

We have examined management's assertions, included in its representation letter dated June 25, 1998, that Stones River Center complied with the following requirements during the cost report period July 1, 1996, through June 30, 1997, and to the facility's patient accounts for the period July 1, 1996, through June 30, 1997.

- Income and expenses reported on the Medicaid Cost Report are reasonable, allowable, and in accordance with state and federal rules, regulations, and reimbursement principles.
- Patient days reported on the Medicaid cost report have been counted in accordance with state regulations. Medicaid patient days billed to the state for periods when residents were hospitalized or on therapeutic leave are in accordance with the 15-day hospital stay rule, the 85 percent occupancy rule, and 18-day therapeutic leave day rule.
- Charges to patients and charges to patients' personal funds are in accordance with state and federal regulations.

As discussed in management's representation letter, management is responsible for ensuring compliance with those requirements. Our responsibility is to express an opinion on management's assertions about the facility's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants, and accordingly, included examining on a test basis evidence about Stones River Center's compliance with those requirements and performing such other procedures as we considered necessary under the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Stones River Center's compliance with specified requirements.

Our examination disclosed the following material noncompliance applicable to state and federal regulations.

- The facility included \$1,116.57 of non-covered expenses on its Medicaid cost report.

In our opinion, except for the material noncompliance described above, management's assertions that Stones River Center complied with the aforementioned requirements for the cost reporting period July 1, 1996, to June 30, 1997, and for patient accounts for the period July 1, 1996, to June 30, 1997, are fairly stated in all material respects.

This report is intended solely for the use of the Tennessee General Assembly and the Tennessee Department of Health. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

Arthur A. Hayes, Jr., CPA, JD, CFE, Director

AAH/pn

FINDING AND RECOMMENDATION

1. Nonallowable expenses included on the cost report

Finding

The Stones River Center included \$1,116.57 of nonallowable expenses on the "Intermediate Care Statement of Reimbursable Costs" for the year ended June 30, 1997. The adjustment to allowable expenses consists of penalties and interest on late payment of property taxes.

Chapter 1200-13-6-.09 of the Rules of the Tennessee Department of Health and Environment states that the following are expenses not considered a part of providing routine service, and should be deducted: any fines, penalties, or interest paid on any tax payments whatsoever.

As a result of the above adjustments to allowable expenses, the facility's Medicaid reimbursable rate was decreased as follows:

<u>Period</u>	<u>Provider Number</u>	<u>Original Rate</u>	<u>Adjusted Rate</u>	<u>Difference</u>
December 1, 1997 to October 31, 1998	744-7084	\$192.24	\$192.18	(\$0.06)
November 1, 1998 to October 31, 1999	744-7084	\$193.11	\$193.11	\$0.00
December 1, 1997 to October 31, 1998	744-7085	\$192.25	\$192.19	(\$0.06)
November 1, 1998 to October 31, 1999	744-7085	\$194.05	\$194.05	\$0.00
December 1, 1997 to October 31, 1998	744-7089	\$190.74	\$190.67	(\$0.07)
November 1, 1998 to October 31, 1999	744-7089	\$193.51	\$193.51	\$0.00
December 1, 1997 to October 31, 1998	744-7090	\$192.52	\$192.46	(\$0.06)

November 1, 1998 to October 31, 1999	744-7090	\$192.47	\$192.47	\$0.00
December 1, 1997 to October 31, 1998	744-7091	\$192.45	\$190.40	(\$0.05)
November 1, 1998 to October 31, 1999	744-7091	\$193.81	\$193.82	\$0.01
December 1, 1997 to October 31, 1998	744-7092	\$192.57	\$192.51	(\$0.06)
November 1, 1998 to October 31, 1999	744-7092	\$192.93	\$192.94	\$0.01
December 1, 1997 to October 31, 1998	744-7093	\$192.88	\$191.81	(\$0.07)
November 1, 1998 to October 31, 1999	744-7093	\$194.55	\$194.55	\$0.00
December 1, 1997 to October 31, 1998	744-7094	\$194.11	\$194.05	(\$0.06)
November 1, 1998 to October 31, 1999	744-7094	\$194.55	\$194.55	\$0.00
December 1, 1997 to October 31, 1998	744-7095	\$190.85	\$190.81	(\$0.04)
November 1, 1998 to October 31, 1999	744-7095	\$193.02	\$193.03	\$0.01
December 1, 1997 to October 31, 1998	744-7096	\$192.75	\$192.70	(\$0.05)
November 1, 1998 to October 31, 1999	744-7096	\$194.03	\$194.03	\$0.00

Based on this rate reduction, overpayments made to the facility from December 1, 1997, through October 31, 1999, total \$1,292.56.

Recommendation

Stones River Center should include only allowable expenses on the "Intermediate Care Statement of Reimbursable Costs." All reported expenses should be adequately supported and related to patient care.

A refund of \$1,292.56 representing overpayments by the TennCare Program as a result of the rate reduction should be made to the State of Tennessee.

Management's Comment

Management concurs with the expense adjustment.

SUMMARY OF MONETARY FINDINGS AND RECOMMENDATIONS

Source of Overpayments

Nonallowable costs included on the cost report	\$ 1,292.56
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Disposition of Overpayments

Due to the State of Tennessee	\$ 1,292.56
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